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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

Report of the Secretary-General

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I. INTRODUCTION

1. The present report is submitted in response to General Assembly decision 47/454 of 23 December 1994, entitled "Financial reports and audited financial statements, and reports of the Board of Auditors", and resolution 48/221 of 23 December 1993, entitled "Joint Inspection Unit".

2. By its decision 47/454, the General Assembly, inter alia:

> "(b) Decided, without prejudice to its existing relevant resolutions, to consider the roles and coverage of the subsidiary bodies responsible for coordination, administrative questions and budgetary matters, including the Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors, the Joint Inspection Unit and the Committee for Programme and Coordination, with a view to improving the effectiveness of their oversight and coordination mechanisms, and requested the Secretary-General to provide relevant background material together with his views and those of the bodies concerned to the General Assembly as soon as possible, but not later than at its forty-ninth session."

3. Moreover, on 29 July 1994, the General Assembly adopted decision 48/493 A, in which it

> "[D]ecided to reaffirm paragraph (b) of its decision 47/454 of 23 December 1992 and, in this regard, to consider at its regular forty-ninth session measures for the improvement of the effectiveness and the possible strengthening of the external oversight mechanisms on the basis of the material and views presented to it pursuant to paragraph (b) of its decision 47/454, bearing in mind the expansion of the activities of the Organization since the forty-seventh session of the General Assembly."

4. Furthermore, in its resolution 48/221 the General Assembly, inter alia, requested the Secretary-General:

> (a) "... taking into account the report of the Advisory Committee on Administrative and Budgetary Questions, 1/ to include in the report called for in its decision 47/454 of 23 December 1992 and to be submitted to the General Assembly at its forty-ninth session proposals regarding the procedures for selecting Inspectors, with a view to improving the selection process, with due regard to the principle of equitable geographical distribution"; (para. 11)
>
> (b) "... and the Joint Inspection Unit to study and to report to the General Assembly at its forty-ninth session on means by which the Unit could enhance its inspection and evaluation of specific fields of activities, such as peace-keeping operations, humanitarian assistance, operational activities for development and technical and financial matters". (para. 13)

5. It should be noted that, on 29 July 1994, the General Assembly adopted resolution 48/218 B by which it established the Office of Internal Oversight

Service. The role and functions of the Office, described in resolution 48/218 B, and in Secretary-General's bulletin ST/SGB/273 of 7 September 1994, will complement the oversight functions performed by the bodies referred to in paragraph 2 above.

II. RELEVANT BACKGROUND MATERIAL, AND VIEWS OF THE SUBSIDIARY BODIES RESPONSIBLE FOR COORDINATION, ADMINISTRATIVE QUESTIONS AND BUDGETARY MATTERS

6. With respect to paragraph (b) of decision 47/454, document A/45/370 of 13 September 1990 contains the relevant background material describing the role, coverage, scope, and terms of reference of the subsidiary bodies mentioned in paragraph 2. The views of the subsidiary bodies as received by the Secretary-General in response to the above-mentioned request contained in decision 47/454 are as follows:

A. Advisory Committee on Administrative and Budgetary Questions

7. The comments received from the Advisory Committee on Administrative and Budgetary Questions (ACABQ) are as follows:

"The Advisory Committee is an expert body of 16 members appointed by the General Assembly. Members serve in a personal capacity and not as representatives of Member States.

"The major functions of the Advisory Committee, as defined by the General Assembly in its resolution 14 (I) of 13 February 1946, are:

"(a) To examine and report on the budget submitted by the Secretary-General to the General Assembly;

"(b) To advise the General Assembly concerning any administrative and budgetary matters referred to it;

"(c) To examine on behalf of the General Assembly the administrative budgets of the specialized agencies and proposals for financial arrangements with such agencies;

"(d) To consider and report to the General Assembly on the auditors' reports on the accounts of the United Nations and of the specialized agencies.

"The role of the ACABQ has evolved considerably since 1946. Not only has the size of the United Nations budget multiplied many times over, but it has become much more complex. Moreover, in recent years there has been a marked increase in the scope and size of the activities financed from extrabudgetary sources; the Advisory Committee has paid particular attention to this development submitting a number of reports on how adequate oversight of this type of expenditure can best be accomplished,

especially in the larger extrabudgetary activities such as the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the United Nations International Drug Control Programme (UNDCP).

"A number of voluntary programmes have been established over the years, and in accordance with the financial regulations which apply to them or other legislative authority, the Advisory Committee reports on administrative budgets and other matters to the governing bodies of the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Population Fund (UNFPA), the United Nations High Commissioner for Refugees (UNHCR) (voluntary funds), the United Nations Environment Programme (UNEP) (Environment Fund), the United Nations Habitat and Human Settlements Foundation, the United Nations Institute for Disarmament Research (UNIDIR), the United Nations Institute for Training and Research (UNITAR), the United Nations University (UNU) and the World Food Programme (WFP). The Advisory Committee's work in this area has been considerable and has included not only consideration of their administrative budgets but a whole range of other matters - from proposals for Headquarters accommodation for UNICEF, to questions of programme support costs for UNDP, and the administrative relationship between WFP and the United Nations and Food and Agriculture Organization of the United Nations (FAO).

"The single largest element of growth in the Committee's work has been the peace-keeping operations, upon which expenditure has surpassed that of the regular budget. For example, at the forty-third session of the General Assembly, ACABQ submitted four reports on peace-keeping operations, whereas at the forty-eighth session, the number of reports submitted by the Advisory Committee had grown nearly tenfold, to 38. While those reports were of varying length and complexity, the increase is nevertheless substantial. Moreover, the figure cited does not include the great number of letters issued by the Advisory Committee in connection with requests by the Secretary-General for commitment authority. The impact of this development in the work of the Committee is described later in these comments.

"The Advisory Committee is relied upon for an independent and expert examination, as well as for a critical analysis of the proposals before the General Assembly and the other legislative organs to which the Committee reports. All the members of the Advisory Committee are expected to have a background in the field of administration, budget and finance and to be conversant with the activities of the United Nations. Members, while representing broad geographic regions, are expected to bear in mind the best interests of the United Nations in carrying out their responsibilities in the Committee. Meetings of ACABQ, like those of all expert bodies in the administrative and financial areas of the United Nations, are held in closed session.

"The Advisory Committee's method of work proceeds in two main stages: a hearing and an executive session. The hearings are conducted with representatives of the Secretary-General or the administrative heads of the

other programmes or organizations on which the Committee reports. These hearings, which involve extensive question-and-answer and frequent requests for additional information, are sometimes preceded by an internal (executive) discussion of how the Committee's work on a particular subject will be organized. They should have also been preceded, in all cases, with adequate time for the members to read all the relevant documentation and otherwise prepare themselves. For reasons described below, this opportunity, which is a necessity, is frequently not afforded to the members of the Committee.

"The hearings are followed by an executive session in which the Committee discusses the reports and information which has emerged from the hearings and additional information it has received in writing. Members are expected to express opinions and exchange views in a free and frank atmosphere. As a result of the above procedure and on the basis of the discussions in the executive session, the Committee's secretariat prepares a draft report for the consideration of the Committee. The decisions and reports of the Committee have endeavoured to represent a common viewpoint of the Committee.

"Should a matter arise requiring action by the Advisory Committee when it is not in formal session, procedures are in place so that it can carry out its work through correspondence.

"In recent years the work of the Advisory Committee, as in many other areas of the United Nations, has been greatly affected by the very rapid expansion of United Nations activities in peace-keeping and humanitarian operations. Moreover, the numerous issues in connection with reform and with the restructuring of the Secretariat have also significantly increased the workload of the Committee.

"In order to meet the most urgent requirements of the General Assembly and the other legislative bodies to which it reports, the Advisory Committee has had to restrict its activity in a number of important areas. For example, the work which it performs on behalf of the General Assembly vis-à-vis the specialized agencies (in accordance with Article 17, para. 3, of the Charter of the United Nations) has suffered greatly as a result of the pressure of the other work carried out by the Advisory Committee. The Committee is actively seized of this matter and is discussing ways and means of intensifying and expanding its contacts with the specialized agencies and the International Atomic Energy Agency (IAEA).

"The Advisory Committee's effort to cope with its greatly increased workload has included not only expanding the duration of its sessions but also increasing the number of meetings held each week and taking up documentation on the basis of advance texts in English. Nevertheless, the Committee continues to work under great pressure of time. Aside from the sheer volume of documentation which needs to be considered within the limited time available, the problem is exacerbated by the manner in which documentation is submitted to the Committee. The Committee has often commented in the past on the problems of the timely submission of documentation (see, for example, its first report on the proposed programme

budget for 1992-1993) 2/ but it seems that the problem is becoming more serious. Moreover, the advance texts on which the Committee works are often corrected and revised several times over during the Committee's consideration. Submission of revised estimates for the 1992-1993 programme budget, the proposed programme budget for 1994-1995 and many of the current financing proposals for peace-keeping operations are recent significant examples. In addition, the Committee often finds that adequate supporting information is not made available to it and the process of requesting and receiving this information is time-consuming.

"The Advisory Committee is keenly aware of the vital role it plays vis-à-vis the General Assembly and the legislative bodies of other programmes. As a small expert body it has the capacity to screen the proposals of the Secretary-General and to provide the legislative bodies with an independent technical critical examination of the issues. The service which the Advisory Committee provides to the General Assembly and other legislative bodies is unique and derives from the detailed and lengthy hearings conducted by the Committee with representatives of the Secretary-General. These would be very difficult to conduct in a larger body or in a public legislative setting. Since the composition of the Committee is expected to provide a representative sample of expertise from different geographical backgrounds, the growth in membership of the General Assembly is not necessarily related to the Advisory Committee's size as an expert body. Under the circumstances, it is important, in the view of the Committee, that the size be maintained at a level which will permit the kind of atmosphere and intensive deliberations described above.

"The Advisory Committee is actively engaged in discussing its procedures and methods of work, including ways and means of improving its functioning and the competence and efficiency of its Secretariat. The Advisory Committee will report to the General Assembly in this regard.

"The Advisory Committee is also actively seeking to improve the format and quality of its reports, including the requirement to fully explain the reasons for the recommendations and to be as specific as possible in making those recommendations. So as to improve the transparency of its reporting, the Committee is considering ways and means of communicating to the Fifth Committee relevant information supplied to it by the Secretariat. In order to enhance the transparency of its work, the Committee will publish its daily schedule in the Journal of the United Nations.

"The Committee will also seek to improve the quality and transparency of its reports by reflecting as much as possible the discussion held with representatives of the Secretary-General, including explanations provided, and by explaining, where necessary, the various alternatives and options for decision-making in the General Assembly.

"The Advisory Committee has traditionally endeavoured to avoid meeting during meetings of the Fifth Committee. In recent years, this has proved increasingly difficult. The Advisory Committee is committed to ensuring appropriate participation in the work of the Fifth Committee, both in

plenary and informal meetings of that body and, to this end, will finalize modalities as soon as possible.

"In the opinion of the Advisory Committee, another key element in its ability to discharge its responsibilities is adequate staff resources. The Committee intends to discuss these requirements in the context of the preparation of the proposed programme budget for 1996-1997 where it will consider the strengthening of its Secretariat and support resources, inter alia, through the provision of the necessary skills, particularly in highly technical areas."

B. Board of Auditors

8. The comments received from the Board of Auditors are as follows:

"The United Nations Board of Auditors was established by the General Assembly in its resolution 74 (I) of 7 December 1946. The scope of the Board's mandate is defined in article XII of the Financial Regulations of the United Nations and the annex thereto setting out additional terms of reference governing the audit of the United Nations.

"The mandate of the Board is, first, to express an opinion on the financial statements and, second, to make observations with respect to the efficiency of financial procedures, the accounting system, the internal financial controls and in general the administration and management of the Organization. Coordination with other external audit activities in the United Nations system is ensured through the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency which was established by the General Assembly in its resolution 1438 (XIV) of 5 December 1959.

"The initial comments of the Board of Auditors and the United Nations Panel of External Auditors regarding General Assembly decision 47/454 are contained in paragraph 3 of the annex to document A/48/876. In this regard, the Panel noted, inter alia, that at its meeting in November 1993 it had expressed its intention to play an active role in the General Assembly's consideration of the arrangements for the external oversight of the United Nations as decided in Assembly decision 47/454. The Board noted further, on 29 July 1994, that it wished to be responsive to the General Assembly's request. The Board will report to the General Assembly in the near future following the conclusions of discussions currently taking place incorporating, as appropriate, the review of the Panel."

C. Joint Inspection Unit

9. The comments received from the Joint Inspection Unit are as follows:

"The Joint Inspection Unit (JIU) has provided comprehensive comments on the issues addressed to it in resolution 48/221 and its views with respect to paragraph (b) of decision 47/454 in the Unit's report to the

General Assembly at its forty-ninth session. 3/ Owing to the paramount importance of issues of effectiveness of external oversight mechanisms in both documents, and since they are closely linked to our determined efforts to enhance the Unit's performance, productivity and impact, we decided to report on them extensively by dedicating the whole chapter VI of our annual report (paras. 49-93) to them. Below are only some of our comments and views.

"Support, leadership, guidance and targeting from intergovernmental and, in the first instance, from the main legislative bodies, are conditions sine qua non for a meaningful, effective and strong external oversight mechanism. Intergovernmental bodies need to devote enough time and attention to the external oversight units and be willing and able to guide and target them on issues which are of paramount concerns to Member States, as well as the efficient functioning of the organizations. It is of paramount importance that Member States give a clear message to participating organizations that organs of external oversight enjoy their real support and that they are exercising oversight functions on behalf of Member States and, therefore, need to be taken seriously by the relevant units. Only then will a proper environment be created whereby eventual resistance or reluctance to implement certain recommendations may be overcome.

"Formal and material means of proper functioning of oversight bodies are indispensable. Clear formulation of their functions and powers is crucial. Equally important are sufficient material means, both human and financial, to support oversight units.

"Owing to the increased complexity and cost of the United Nations, particular attention should be paid to ensuring that those who are appointed to oversight functions possess the necessary high professional qualifications and experience. This applies equally to elected or appointed members, as well as supporting staff.

"Related to the above is the necessity to secure the independence of staff serving oversight entities. This is an area where improvement is needed to eliminate possible ambiguities concerning to whom such staff members owe their allegiance, thus avoiding a potential conflicting of loyalties. A correct interpretation of their status should be that such staff are appointed by the Secretary-General, and that the Staff Rules and Regulations apply to them, but that they are working for and accountable to the oversight body to which they are assigned. In addition, practical and effective safeguards need to be established to ensure that their professional careers will not be affected adversely.

"More attention and effort should be devoted to developing practical cooperation, coordination and mutual support among external oversight organs. What is needed is to move from the present approach of stressing and protecting the independence of each oversight body and their separate mandates and to develop a culture of positive cooperation among oversight bodies.

"Cooperation among external oversight bodies should be defined more precisely; it should be seen as more than mere avoidance of overlap and duplication. Oversight organs should develop the practice of undertaking complementary projects and consider implementing larger and complex projects with agreed and shared responsibilities.

"A weakness of the external oversight mechanisms is the fragmented, unclear and weak compliance and follow-up of approved recommendations emanating from those bodies. A substantial improvement is needed leading to the creation of a system of compliance and follow-up, efficient and transparent to all concerned.

"JIU believes that compliance with and follow-up of approved recommendations emanating from external oversight bodies should be included in the functions performed by the newly created Office of Internal Oversight Services. The Office should act as focal point in these matters for the whole of the Secretariat. Consequently, compliance should be part of the reporting procedure of the Office of Internal Oversight Services to the Secretary-General and to the General Assembly. JIU recommends that, at its early stages of operation, the Office should develop appropriate procedures and rules to implement such compliance and follow-up functions, and report thereon to the General Assembly. The Unit would be happy to advise on such internal rules and procedures.

"A corollary to the above is the broader question of cooperation and relationships between external and internal oversight mechanisms. Although the nature of external and internal oversight differs, there is potential for developing practical cooperation between them. First of all, duplication and overlapping in oversight coverage should be eliminated through maintaining operational relationships.

"Through its report on 'Accountability and oversight in the United Nations Secretariat', 4/ JIU added its voice to the discussion, inter alia, on the nature and specifics of external and internal oversight mechanisms. The Unit welcomes General Assembly resolutions 48/218 of 23 December 1993 and 48/218 B of 29 July 1994, whereby respect for the separate and distinct roles of internal and external oversight mechanisms were stressed. The Unit supports the views expressed by the Chairman of the Panel of External Auditors and the United Nations Board of Auditors in a letter dated 17 February 1994 to the President of the General Assembly (A/48/876) on the different nature, roles and functions of the external, internal audit and oversight mechanisms in general. JIU is in full agreement with the Panel and the Board that strong and independent external audit and oversight functions should be at the core of the accountability arrangements of the United Nations.

"JIU believes that its role, as contained in its statute and as reconfirmed in a number of General Assembly resolutions, in particular resolution 48/221, is clear and definitive with respect to its functions, duties and responsibilities, as the only independent system-wide inspection, evaluation and investigation body. Thus, the Unit feels that

its present role is adequate for it to carry out its work as one of the United Nations system's external oversight bodies.

"The Unit, in spite of its limited resources, is ready to accept an expanded coverage, in accordance with precepts of its statute, to include those organizations of the United Nations system which are not yet participating organizations. Such increased coverage would serve to complete the Unit's system-wide mandate and responsibilities.

"The Joint Inspection Unit pledges to participate fully in all the efforts of the General Assembly and the legislative organs of other participating organizations aimed at furthering the effectiveness and strengthening of external oversight mechanisms."

III. VIEWS OF THE SECRETARY-GENERAL

10. As noted in paragraph 5 above, on 29 July 1994 the General Assembly adopted resolution 48/218 B, providing for the establishment of an Office of Internal Oversight Services to assist the Secretary-General in fulfilling his internal oversight responsibilities. The Secretary-General subsequently appointed an Under-Secretary-General to head the Office. In order to provide as comprehensive an approach as possible and to minimize duplication of efforts, the new Office will need to coordinate its activities with the Board of Auditors, the Panel of External Auditors and the Joint Inspection Unit, as well as maintain a close working relationship with other inspection and internal audit services in the United Nations system. A separate report with respect to the implementation of resolution 48/218 B will be before the current session of the General Assembly.

11. Other initiatives are under way in the context of the restructuring of the Secretariat and the establishment of a transparent and effective system of accountability and responsibility which are relevant to the overall effort to enhance oversight and coordination within the Organization. Reports on these subjects are also before the current session of the General Assembly.

12. The comments of the oversight bodies reproduced in the preceding sections of the present report raise a number of issues on their own functioning and relationships among them, as well as on relationships with internal Secretariat mechanisms, meriting further examination which was not possible in the limited time available since their submission to the Secretary-General.

13. In the light of the above considerations and taking into account the actions to be taken by the General Assembly at its current session on the reports referred to above, the Secretary-General would be prepared, if the Assembly so wished, to revert to the issues raised in General Assembly decision 47/454 in a further report for submission to the Assembly at its next session.

IV. MATTERS RELATING TO THE JOINT INSPECTION UNIT IN RESPONSE TO RESOLUTION 48/221

A. Enhancement of Joint Inspection Unit procedures

14. In paragraph 13 of resolution 48/221, the General Assembly requested the Secretary-General and the Joint Inspection Unit to study and to report to the Assembly at its forty-ninth session on means by which the Unit could enhance its inspection and evaluation of specific fields of activities, such as peace-keeping operations, humanitarian assistance, operational activities for development and technical and financial matters.

15. JIU has reported separately to the General Assembly with respect to its means of enhancing its inspection and evaluation of specific fields of activities within the context of its annual report for 1994. 3/

16. In the Secretary-General's view, enhancement of JIU's inspection and evaluation of specific fields of activities would accrue by continuing and intensifying efforts and measures already initiated, notably:

(a) Continuing the efforts to make its studies and other activities relevant and timely for its participating organizations;

(b) Continuing to comply with the decisions and recommendations of the General Assembly, the Economic and Social Council, the Committee on Programme Coordination, the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors;

(c) Continuing to develop specific and clearly defined procedures, methodologies and practices applicable to its inspections, investigations and evaluative projects;

(d) Improving internal programming, for efficient utilization of the Unit's limited resources for priority activities.

B. Selection of Joint Inspection Unit Inspectors

17. As noted in paragraph 4 above, in resolution 48/221 the General Assembly requested the Secretary-General to make proposals regarding the procedures for selecting Inspectors. The Secretary-General shares the view of the Advisory Committee on Administrative and Budgetary Questions as contained in its report, 1/ that closer adherence to what is already provided in the statute will, in and of itself, result in a better functioning JIU. The Advisory Committee also stated that many of the problems on which it had commented upon in its report with respect to the selection and appointment of Inspectors were interrelated and the remedial action with regard to one will have a consequential effect on others.

18. The Secretary-General is of the view that, the selection of Inspectors may improve substantially if the regional groups, in deciding upon those countries which would be asked to propose candidates for JIU, were to reach agreement so

that the number of countries selected to propose candidates would equal the number of Inspectors to be appointed by the General Assembly from the regional group.

19. Once Member States have been selected by their regional group to propose candidates for the post of Inspector, they should propose candidates fully meeting the provisions of the JIU statute, namely: "chosen from among members of national supervision or inspection bodies, or from among persons of a similar competence on the basis of their special experience in national or international administrative and financial matters, including management questions" (art. 2, para. 1).

20. It would be desirable for member states selected by their regional group to propose candidates, to present to the President of the General Assembly a list of several (from three to five) qualified candidates, including women candidates. One important criterion should be to diversify the various areas of expertise possessed by the Inspectors, as was also suggested by the Advisory Committee in its report.

21. It is self-evident that the President of the General Assembly requires adequate time in order to carry out the necessary consultations with the President of the Economic and Social Council and the Chairman of the Administrative Committee on Coordination; they, in turn, should be afforded enough time to consult with the members of the Economic and Social Council and the Administrative Committee on Coordination. The consultation process must naturally include a thorough evaluation of the proposed candidates and must enable the selection of the most competent and qualified person among them, taking into account the extant provisions of the JIU statute and, as noted above, the desirable diversification of expertise of Inspectors.

22. The Administrative Committee on Coordination, at its last session, decided to undertake a review of consultation procedures at the inter-agency level relating to nominations for membership of JIU, as well as to International Civil Service Commission (ICSC) and other joint bodies. In the same context, consideration will be given to ways in which organizations of the system could interact more substantively with JIU. The General Assembly may thus wish to revert to these matters at its next session, in the light, inter alia, of the outcome of the review by the Administrative Committee on Coordination.

Notes

1/ A/47/755.

2/ Official Records of the General Assembly, Forty-sixth Session, Supplement No. 7 (A/46/7).

3/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 34 (A/49/34).

4/ A/48/420, annex.